

COASTSIDE COUNTY WATER DISTRICT

766 MAIN STREET

HALF MOON BAY, CA 94019

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS

June 14, 2005

6:30 p.m. SPECIAL CLOSED SESSION

PUBLIC EMPLOYEE PERFORMANCE EVALUATION (Cal. Govt. Code §§54957): Titles: General Manager; Superintendent of Operations

The Board adjourned from Closed Session at 7:45 p.m., with no members of the public present and no action reported.

- 1) ROLL CALL:** President Mickelsen called the meeting to order at 7:56 p.m. Present at roll call were Directors Jim Larimer, Everett Ascher, Ken Coverdell and John Muller.

Also present were Ed Schmidt, General Manager; Anthony Condotti, Legal Counsel; Jim Teter, District Engineer; Judy Nosecchi, Superintendent of Operations; Amanda Cox, Water Conservation Coordinator; JoAnne Whelen, Administrative Assistant/Recording Secretary, and Gina Brazil, Office Manager. The District's CPA, John Parsons, was also present.

- 2) PLEDGE OF ALLEGIANCE:** Everyone stood for the Pledge of Allegiance.
- 3) PUBLIC ANNOUNCEMENTS:** There were no public announcements.
- 4) CONSENT CALENDAR**

- A. Requesting the Board to review disbursements for the month ending June - Claims: \$494,053.41, Payroll: \$50,028.53 for a total of \$544,081.94
- B. Acceptance of Financial Reports
- C. Minutes of the May 10, 2005 Board of Directors Meeting
- D. Acceptance of 450 Magellan -Pipeline Extension Project
- E. Monthly Water Transfer Report

Director Muller reported that he had reviewed the claims and financial reports and found all to be in order.

ON MOTION by Director Ascher and seconded by Director Larimer, the Board voted unanimously to accept the Consent Calendar in its entirety:

Director Larimer	Aye
Director Ascher	Aye
Director Coverdell	Aye
Director Muller	Aye
President Mickelsen	Aye

5) WATER CONSERVATION COORDINATOR'S REPORT

- A. **Water Conservation Report** - Ms. Cox addressed the Board and distributed a draft copy of the Spring/Summer edition of the CCWD Newsletter, inviting comments from the Board for any additions or revisions.

Director Larimer requested that the budget, proposed rate increase, and the loss in property tax revenue be referenced in the newsletter. President Mickelsen agreed with the suggestion.

Ms. Cox then reported on the 2004 Annual Water Quality Report, announcing that the report would be mailed out later in the week.

- B. **Water Shortage Contingency Plan** - Ms. Cox referenced the draft plan and reviewed the few brief revisions to the Plan that was presented to the Board last month.

ON MOTION by Director Muller and seconded by Director Larimer, the Board voted as follows, to approve the June 2005 CCWD Water Shortage & Drought Contingency Plan:

Director Larimer	Aye
Director Ascher	Aye
Director Coverdell	Aye
Director Muller	Aye
President Mickelsen	Aye

6) REPORT OF THE GENERAL MANAGER

A. 190 Escalona Pipeline Extension – Water Service Agreement

The General Manager introduced this item and explained that this particular home is on a well and that the pipeline extension will enable the applicant to install a water service connection for a fire sprinkler system that was required by the Half Moon Bay Fire Protection District, but that the residence would continue to rely on an on-site well for its domestic water supply.

The Board discussed many aspects of this particular transaction, with Directors Larimer and Muller expressing disappointment that the applicant was not additionally pursuing a water service connection for domestic use. Director Muller requested that it be made part of the record, that staff request and encourage the applicant to purchase a water service connection for domestic use, in addition to the fire service connection.

ON MOTION by Director Coverdell and seconded by Director Ascher, the Board voted as follows, to approve the water service agreement between CCWD and Janet Van Swoll for construction of a pipeline extension to serve real property on Escalona Avenue:

Director Larimer	Aye
Director Ascher	Aye
Director Coverdell	Aye
Director Muller	Aye
President Mickelsen	Aye

B. Discussion and possible direction to staff regarding proposal from CDM to provide professional services for Water Treatment Plant Improvements

The General Manager opened discussion of this item by reporting that the tasks need to be completed, that they are mandated, regulated, and necessary. He then explained the different tasks in detail: (1) Evaluation of Disinfection, Toxic Organic Carbons (TOC) Removal and Disinfection By-Product (DBP) Control Alternatives at the Denniston and Nunes Water Treatment Plants; (2) Tracer tests to determine contact time that the disinfectant is in contact with the treated water at the two water treatment plants; (3) Update Operations and Maintenance manuals for the Nunes

and Denniston water treatment plants; (4) Enhanced Coagulation Study at the Nunes plant; and (5) Project Management, including communications and coordination, management of the scope, schedule and budget, monthly progress reports and progress meetings. Mr. Schmidt then introduced Michael Zafer, P.E., Principal Environmental Engineer for CDM and he proceeded with a power-point presentation, explaining all of the tasks in extensive detail.

Mr. Zafer then answered questions from the Board and provided the names of other agencies that CDM has contracted with to perform similar tasks.

President Mickelsen then asked Ms. Nosecchi, Superintendent of Operations, for her opinion on the CDM proposal. Ms. Nosecchi stated that she felt that this contract is the beginning of what CCWD needs. She further stated that the District does not currently have any evaluations to make decisions on the direction it needs to go, in order to meet current regulations and the new regulations, soon to be in effect. She expressed that, in her opinion, this was a comprehensive, overall plan for both plants that would allow the District to move forward. Additionally, Ms. Nosecchi informed the Board that these tasks would require additional work and labor needs that needed to be addressed. She also responded to Director Larimer's concerns regarding the money spent to conduct the workshops proposed by CDM, by suggesting that a technical sub-committee could possibly be formed to review and make decisions on the options that would be recommended by CDM and District staff.

ON MOTION by Director Coverdell and seconded by Director Ascher, the Board voted as follows, to approve the Professional Services Agreement for Water Treatment Plant Improvements with Camp Dresser & McKee for the amount of \$200,000:

Director Larimer	Aye
Director Ascher	Aye
Director Coverdell	Aye
Director Muller	Aye
President Mickelsen	Aye

C. **Discussion and possible direction to staff regarding Draft proposed FY 2005/2006 Operating and Maintenance (O & M) Budget and Capital Improvement Program Budget - Crystal Springs and Non-Crystal Springs Projects**

The General Manager proposed that he briefly review the staff report and each one of the account funds. Director Coverdell suggested that before any discussion began on the budget, that the field operations staff salary account be increased to cover salary and benefits for the additional necessary staff, and then the budget discussion could proceed.

The General Manager then referred to the staff report for background discussion on this fiscal year's annual budget. He also distributed an updated Operations and Maintenance Budget spread sheet and reviewed each of the revenue and expense accounts with the Board.

Director Coverdell proposed increasing the Field Salary account, and related accounts to cover taxes and employee benefits by \$130,000. John Parsons, the District's CPA, suggested that a contingency of \$130,000. be added to the budget, with the direction to staff to allocate the increase to the necessary accounts.

Director Ascher reported on the factors, many beyond the District's control, that contribute to a rate increase for the 2005/2006 fiscal year period, including the increased water treatment plant maintenance costs, the property tax shift, and increase in insurance, benefits, and CalPERS expenses.

Mr. Parsons then reviewed in detail, the District's reserve funds. Director Ascher inquired if Mr. Parsons felt that CCWD had too much money in the reserve accounts, and Mr. Parsons stated that he did not believe so and reported that the District's auditors, Maze & Associates, at their exit interview last year, had agreed with that finding.

Ms. Nosecchi recommended that a personnel plan be developed, projecting future staffing needs over the next several years, stating that she felt the personnel plan was just as important as a capital improvement plan. President Mickelsen agreed that it would be a valuable tool.

The Board concluded discussion on this item, agreeing that the \$130,000 would be added to the O & M Budget for additional salary and related expenses. The Board also accepted the General Manager's suggestion to schedule a public hearing for the Regular July Board of Directors meeting, at which time the Capital Improvement Budget is expected to be presented, discussed and approved.

D. Request for Board to Authorize the General Manager to write off bad debts for fiscal year 2004-2005

The Board briefly discussed this subject and inquired about a few of the individual accounts. Director Ascher pointed out that the amount was a very small percentage of the District's total revenue.

ON MOTION by Director Coverdell and seconded by Director Larimer, the Board voted as follows, to authorize the General Manager to write off bad debts for fiscal year 2004-2005 in the total amount of \$3,191.88:

Director Larimer	Aye
Director Ascher	Aye
Director Coverdell	Aye
Director Muller	Aye
President Mickelsen	Aye

E. Update on the status of the sale of four (4) water connections for failed well owners

The General Manager stated that his recommendation was to receive Board direction to (1) sell the four water connections to the failed well owners and (2) direct staff to work with the City of Half Moon Bay staff in preparing amendments to the two El Granada Pipeline permits, authorizing a re-allocation of priority water connections under the City of Half Moon Bay's draft Failed Well Policy. He then provided a brief background of the events that had transpired recently regarding this issue and reiterated the conditions that were discussed at the May 10th CCWD Board of Directors meeting, which included the following: California Coastal Commission (CCC) staff should provide written approval of the City's Failed Well Policy before CCWD sells these two connections. As a minimum, the Board should condition the sale of these two (2) conditions on written confirmation from the CCC that the City's Failed Well policy will be approved by the CCC and a written agreement needs to be in place between the City of Half Moon

Bay, San Mateo County and CCWD before the County will agree to the transfer of the two (2) connections.

Mr. Schmidt then reported to the Board that staff had confirmed that all four (4) residences will only require a 5/8" capacity service connection. He additionally reported that he had executed the agreement for the conversion of two priority water connections to non-priority use for the purposes of replacing failed water wells located in the City of Half Moon Bay, along with the City of Half Moon Bay, and that the agreement had been forwarded to the County for execution.

Mr. Schmidt then referenced the June 8, 2005 letter from the California Coastal Commission, contained in the Board packet and reviewed the four (4) conditions necessary for their authorization of the reallocation, which included (1) that the transfer of the two priority water service connections under the City's draft policy would be considered a temporary, interim measure until the CCC has taken final action on both an LCP amendment application to certify the City's failed well emergency transfer policy and amendments to Coastal Development Permit (CDP) Nos. A-2-SMC-99-63 and A-1-HMB-00-20; (2) that the City submit the failed well emergency transfer policy for CCC certification as soon as possible. This policy should be included in the City's next LCP amendment submission planned for July so that the City would have the capacity to address any future failed well emergencies as soon as possible; (3) CCWD would need to apply for amendments to the El Granada Pipeline Replacement Project CDP's for any reallocation of priority water service connections that would be authorized under the City's failed well emergency transfer LCP policy, if certified. In addition to the City gaining the CCC's approval of an LCP amendment, the transfer of priority water service connections for residential failed well emergencies under the City's policy would only be permissible if the CCC also approves CCWD's permit amendments for the two CDP's; (4) If approvals are not obtained for the City's LCP amendment and/or CCWD's permit amendments, the City would be responsible for replacing the priority water service connections that have been transferred for non-priority residential use for failed wells with non priority connections in order to maintain compliance with CCWD's permit conditions and the HMB LCP.

Mr. Schmidt also suggested that the Board may want to consider having the City reimburse the District for the costs associated with the preparation and presentation of the amendments to the El Granada Project CDP's, estimated at between \$2,500. and \$7,500.

Discussion among the Board ensued and legal counsel, Mr. Condotti, suggested that in addition to the General Manager's recommendation, in terms of possibly the City of HMB reimbursing CCWD for all or part of the costs associated in processing the amendment, that the Board consider an agreement with the City to surrender those connections in the event that the permit amendment is not granted by the CCC.

Mr. Condotti pointed out that the agreement prepared and provided in the Board packet, only deals with the two connections that were allocated out of San Mateo County's inventory under the County's LCP, and that the District has not yet contractually dealt with the issues contained in the California Coastal Commission's letter. He further recommended that the District move forward with a letter agreement whereby the City of Half Moon Bay concurs with the suggested approach and the ramifications of not receiving permit approval would include that the City would be responsible for replacing the priority water service connections that have been transferred for non-priority residential use for failed wells with non-priority connections, with the City reimbursing the District for costs.

ON MOTION by Director Larimer and seconded by Director Ascher, the Board voted as follows, to authorize staff to move forward to sell four connections to the four failed well owners and to direct staff to proceed with the necessary Coastal Development Permit amendments subject to obtaining a written amendment from the City of Half Moon Bay to replace the two connections that are being allocated with two of it's non-priority connections in the event that the Coastal Development Permit amendment is not ultimately approved and also to reimburse the District for the expenses in pursuing the permit amendment:

Director Larimer	Aye
Director Ascher	Aye
Director Coverdell	Aye
Director Muller	Aye
President Mickelsen	Aye

President Mickelsen then briefly adjourned the meeting for a break at 9:46 p.m. Director Muller was not feeling well and left at this point, excusing himself from the remainder of the meeting. The meeting was reconvened at 9:56 p.m.

F. Half Moon Bay Local Coastal Program - General Plan Update

The General Manager provide an update for the Board, announcing that the City of Half Moon Bay meeting originally scheduled for June 22nd had been rescheduled for June 28th. He further advised that he had been notified by the City of Half Moon Bay, that they anticipated providing a written response to the two letters from CCWD, expressing concerns regarding the updated LCP Program and General Plan by approximately June 15, 2005.

Director Larimer and President Mickelsen encouraged all Board members to attend these meetings of the Half Moon Bay City Council.

G. Continued discussion and possible direction to staff regarding the San Mateo County Midcoast LCP Update Project

The General Manager reviewed the staff report and directed the Board's attention to the Statement of Principles to Guide Midcoast Growth that was presented at a recent meeting with the San Mateo County Board of Supervisors and the Board briefly discussed. The General Manager reported that the results from this work will be brought back to the San Mateo County Board of Supervisors sometime in July.

H. November, 2005 Election

The District's legal counsel, Anthony Condotti distributed a staff report and proposed resolution that he had prepared. Mr. Condotti explained the decisions that the Board needed make in regards to the candidates' statements, in terms of number of words and the financial responsibility. The Board agreed to limit the candidates' statements to 200 words, with the statement costs being the responsibility of the candidates.

ON MOTION by Director Coverdell and seconded by Director Larimer, the Board voted as follows to adopt Resolution 2005-08 Calling for and Giving Notice of a Regular District Election to be Held on Tuesday, November 8, 2005, and Requesting the County Elections Department to Conduct the Election:

Director Larimer	Aye
Director Ascher	Aye
Director Coverdell	Aye
Director Muller	Absent
President Mickelsen	Aye

I. Status Report on Major Capital Improvement Projects

The General Manager reported that a number of projects on this list had been moved to the Completed Projects portion of the report. There were no questions or comments from the Board on this item.

J. General Manager Activities

There were no comments or questions on this item.

7) ATTORNEY'S REPORT

A. Resolution 2005-07 regarding Determination of Appropriation Limit for Fiscal Year 2005-2006

The District's Legal Counsel, Anthony Condotti provided background information on this item and explained that the appropriations limit applicable to the District during the Fiscal Year 2004-2005 is \$3,477,945.

ON MOTION by Director Ascher and seconded by Director Coverdell, the Board voted as follows to adopt Resolution 2005-07, Establishing The Appropriations Limit Applicable to the District During Fiscal Year 2005-2006:

Director Larimer	Aye
Director Ascher	Aye
Director Coverdell	Aye
Director Muller	Absent
President Mickelsen	Aye

8) ENGINEER'S REPORT

A. Engineering Projects Received in May, 2005

The Engineer reported that no new projects were received in May 2005.

B. District Engineer Work Status Report

The Engineer reported that all projects are on schedule. He also provided an update on the El Granada Pipeline Replacement Phase 3A Project, reporting that the drawings are complete and ready for submittal for a Coastal Development Permit.

9) OPERATIONS REPORT

- A. Superintendent of Operations Monthly Report**
- B. Water Service Connections Installed, Priority and Non-Priority**
- C. Capital Improvement Program Progress**
- D. Total CCWD Production, Sales by Category, Monthly Leak Report, Rainfall Reports**
- E. San Francisco Public Utilities Commission Hydrological Conditions Report for April 2005**

Ms. Nosecchi greeted the Board, and expressed her appreciation for the Board's support on the Water Treatment Plant Improvement Project with CDM. She then referenced the Superintendent's monthly operational and activities report contained in the packet. She also provided an update on the recruitment on the Maintenance Worker II position.

10) MEETINGS ATTENDED/SCHEDULED - BOARD OF DIRECTORS

President Mickelsen reported on his recent attendance at a Bay Area Water Supply and Conservation Agency meeting.

11) AGENDA ITEMS AND DIRECTOR COMMENTS

12) ADJOURN

The meeting was adjourned at 10:24 p.m. The next regular meeting of the Coastside County Water District Board of Directors is scheduled for Tuesday, July 12, 2005.

Respectfully submitted,

Ed Schmidt, General Manager

Chris Mickelsen, President